

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: SCOTT WOODBURY
DEPUTY ATTORNEY GENERAL**

DATE: JUNE 30, 2009

**SUBJECT: CASE NO. PAC-E-08-08 (Rocky Mountain Power)
APPLICATION FOR APPROVAL OF ENERGY COST
ADJUSTMENT MECHANISM (ECAM) – SETTLEMENT STIPULATION**

**CASE NO. PAC-E-09-03
GENERAL RATE CASE (NOTICE OF WITHDRAWAL OF INTENT TO
FILE) – ECAM STIPULATION ¶ 13**

On October 23, 2008, PacifiCorp dba Rocky Mountain Power (Rocky Mountain Power; Company) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of an energy cost adjustment mechanism (ECAM). On November 5, 2008, the Commission issued a Notice of Application and established a November 28, 2008, intervention deadline. As reflected in a Notice of Parties issued on December 4, 2008, the parties to this proceeding are: PacifiCorp; Commission Staff; Monsanto Company; and Idaho Irrigation Pumpers Association, Inc. (IIPA), (collectively Parties).

On June 29, 2009, the Company, Staff, IIPA and Monsanto filed an ECAM Stipulation with the Commission as a proposed settlement of the case. IDAPA 31.01.01.272-276. The Parties contend that the Stipulation terms and conditions represent a fair, just and reasonable compromise of the issues raised in this proceeding and that the Stipulation is in the public interest. The Parties recommend that the Commission approve the Stipulation and all of its terms and conditions.

As reflected in the Stipulation and by way of background, the parties recite the following:

On October 23, 2008, Rocky Mountain Power filed an Application (“Application”) seeking approval of an Energy Cost Adjustment Mechanism (“ECAM”). Rocky Mountain Power’s proposed ECAM is designed to defer the difference between base net power costs set during a general rate case and collected from customers in their retail rates and actual net power costs incurred by the Company to serve retail customers. The calculation of the deferral would be on a monthly basis by comparing the monthly base net power cost (“NPC”) rate in dollars per megawatt-hour to the actual NPC rate also in dollars per megawatt-hour. The resulting monthly NPC differential rate would be applied to actual Idaho retail load to calculate the NPC differential for deferral. The net power costs of \$982 million, as stipulated and approved in Rocky Mountain Power’s general rate Case No. PAC-E-08-07, Order No. 30783, will be the base NPC for the ECAM until re-set in the next general rate case.

The germane terms of the Stipulation are as follows:

4. Parties agree that the design, format and accounts of the ECAM shall be as set forth in the Company’s Application in Case No. PAC-E-08-08 and as to be described in more detail by the Company in its Stipulation supporting testimony. The Parties further agree that the ECAM is to be effective July 1, 2009, provided the Commission has issued an order approving the ECAM consistent with the terms in the Stipulation.
5. Parties agree that the ECAM will include a symmetrical sharing band wherein when there is a difference between actual NPC and base NPC, customers pay (if there is an increase in NPC) or receive (if there is a decrease in NPC) 90 percent of the difference, and the Company is responsible for the remaining 10 percent.
6. Parties agree that the annual deferral period to be used in the ECAM will be December 1 to November 30, and that annually, on February 1, the Company will file an application with the Commission to adjust the surcharge or surcredit (“ECAM Rate”) effective April 1 each year, refunding or collecting the ECAM deferred balance from the prior deferral period.
7. Parties agree that a symmetrical load growth adjustment rate (LGAR) of \$17.48 per MWh will be applied to the incremental load from the base load established in Case No. PAC-E-08-07, and that the LGAR and base load will be updated each time base net power costs are updated in a general rate case.
8. Parties recognize that the Company has made significant investments in renewable generation projects that are not yet being recovered in Idaho rates and that these projects provide significant benefits to customers

through the ECAM. Therefore from the effective date of the ECAM to the effective date of rates in the next rate case, the Parties agree that the ECAM will include a renewable generation investment offset adjustment. The adjustment recognizes that actual power costs have been reduced by power generated from these renewable generation projects, but that the costs of these projects are not yet being recovered in Idaho rates. The adjustment will be based on \$55.00 per MWh, as calculated in [Settlement Stipulation] Attachment 1, multiplied by the actual MWh output generated by the renewable resources that were not included in rate base in Rocky Mountain Power's Case No. PAC-E-08-07.

9. Parties further agree that a carrying charge equal to the Commission-approved customer deposit rate will be applied symmetrically to the monthly ECAM deferred balance.
10. In the event the Company intends to seek an increase to the ECAM rate exceeding seven (7) percent, the Company agrees to meet with the Staff and interested parties to discuss the underlying drivers of such a change at least 30 days prior to filing an application with the Commission for approval of the change to the ECAM rate.
11. The Company agrees to work with the Parties to develop rates that reflect line losses and that distinguish transmission, primary and secondary voltage delivery service in the implementation of the ECAM rates. A technical conference will be convened by August 15, 2009 to begin discussions on a methodology and will use line loss information from the 2008 general rate case (PAC-E-08-07) as a starting point for the discussions. In the event an agreement on rate design for the ECAM rate is not reached by April 1, 2010, the ECAM rate will be applied to all schedules and customers on a flat kWh usage basis until an agreement is reached or a method is ordered by the Commission.
12. The Company agrees to hold a risk management hedging seminar to educate Parties about the Company's risk management practices and hedging strategies.
13. In recognition for and as a result of the implementation of the ECAM with an adjustment for renewable generation projects not yet in rate base as specified in [Stipulation] Paragraph 8 above, the Company agrees not to file a general rate case prior to May 1, 2010.
14. The Parties agree that SO₂ sales made after June 30, 2009 will be included as an offset to the ECAM deferral with the same 90%/10% sharing band explained above in [Stipulation] Paragraph 5. The Parties further agree that sales made prior to such date will continue to be amortized over

fifteen years consistent with current practice as reflected in Case No. PAC-E-06-04 (Larson Direct Testimony, Exh. 1, pp. 3.6 and 3.6.1.).

15. The Company's filed Case No. PAC-E-08-07 included an annual level of amortization of three regulatory liabilities for West Valley lease, administrative and general expense merger commitment, and the gain on the sale of the Goose Creek transmission line which reduced the revenue requirement used in establishing the current base rates. The current rates will continue until new rates are set at the end of 2010 or later and, as a result, customers continue to receive the benefit of the amortization in rates until that time. As of December 31, 2010, an unamortized balance of \$156,434 for the Goose Creek sale will remain on the Company's books and records. The Parties stipulate and agree that upon Commission approval of this Stipulation the Company will credit the ECAM deferral for the Goose Creek sale in the amount of \$156,434. Accordingly, the Parties agree that the Company can write-off the remaining balances of the regulatory liabilities after this transfer and upon Commission approval of the Stipulation.

COMMISSION DECISION

Staff recommends that the Commission issue a Notice of the ECAM Stipulation and proposed settlement. As reflected in the cover letter filed by the Company with the Stipulation, testimony supporting the Stipulation will be filed with the Commission no later than Friday, July 31, 2009. Staff recommends that a public comment deadline of Friday, August 14, 2009, also be scheduled. Does the Commission agree with the proposed procedure and scheduling?



Scott Woodbury
Deputy Attorney General

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